

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 NEA-10 IO-13 ISO-00 L-03
FRB-01 OMB-01 ITC-01 SP-02 USIA-15 AGRE-00 AID-05
CIAE-00 INR-07 LAB-04 NSAE-00 OIC-02 EPG-02
SIL-01 STR-04 TRSE-00 CEA-01 GSA-02 /103 W
-----241100Z 019551 /14

R 241000Z MAY 77
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 7791
INFO USDOC WASHDC
AMEMBASSY BANGKOK
AMEMBASSY COLOMBO
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA

UNCLAS SECTION 1 OF 2 SINGAPORE 2221

DEPT PASS TO MICRONESIA

USDOC FOR INCLUSION IN FTI.

E.O. 11652: N/A
TAGS: EPAP, SN
SUBJECT: NATURAL RUBBER (NR)

REF: STATE 104226

1. SUMMARY:
FOR GEOGRAPHICAL AND OTHER REASONS, SINGAPORE SINCE
WORLD WAR II HAS BOASTED THE WORLD'S PREMIER MARKET
OF ORIGIN FOR RUBBER. AS REQUESTED REFTEL, THIS MESSAGE
SKETCHES THE STRUCTURE AND OPERATION OF THIS MARKET,
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AND DISCUSSES THE NATURE AND EXTENT OF GOVERNMENT
REGULATION AND INDUSTRY PRICE FIXING. RECENT TRENDS
IN THE INDUSTRY ARE HIGHLIGHTED, AS WELL AS INDUSTRY
SPECULATION ON FUTURE DEVELOPMENTS. END SUMMARY.

2. ALTHOUGH A MEMBER OF ANRPC, SINGAPORE RUBBER
PRODUCTION TODAY IS NEGLIGIBLE. SINGAPORE BELONGS TO

AND GOES ALONG WITH THE DECISIONS OF ANRPC BECAUSE IT RELIES ON THE OTHER ANRPC COUNTRIES TO CONTINUE TO MARKET A LARGE SHARE OF THEIR RUBBER IN SINGAPORE.

3. SINGAPORE'S PRE-EMINENCE AS THE INTERNATIONAL RUBBER MARKETING CENTER STEMS FROM ITS CLOSE PROXIMITY TO THE WORLD'S LEADING RUBBER PRODUCERS, MALAYSIA AND INDONESIA. THE SINGAPORE MARKET ALSO HANDLES RUBBER FROM THAILAND, BURMA, AND INDOCHINA. IN ADDITION TO READY ACCESS TO RUBBER, SINGAPORE IS BLESSED WITH THE OTHER PREREQUISITES OF A MARKET: A SUPERB PORT, AND EXCELLENT SHIPPING, COMMUNICATIONS, BANKING AND INSURANCE FACILITIES.

4. IN SINGAPORE, THE RUBBER MARKET IS CONDUCTED UNDER THE ADMINISTRATIVE AUSPICES OF A STATUTORY BODY, THE RUBBER ASSOCIATION OF SINGAPORE (RAS). IN ADDITION TO REGULATING THE TRADE, THE RAS PROVIDES A CLEARING HOUSE, LICENSES PACKERS AND PROCESSORS, AND FIXES PRICES.

5. THE RAS COMMITTEE IS COMPOSED OF RUBBER TRADERS, BROKERS, AND DEALERS. HOWEVER, THE GOS EXERCISES EFFECTIVE CONTROL OF THE RAS BY RIGHT OF NOMINATION OF THE RAS CHAIRMAN AND DEPUTY CHAIRMAN. IN ADDITION, THE DIRECTOR OF SINGAPORE'S DEPARTMENT OF TRADE SITS ON THE RAS COMMITTEE AS GOS REPRESENTATIVE. THE GOS INTEREST IN THE RAS HAS, TO DATE, BEEN LIMITED TO THE ADMINISTRATIVE SIDE ONLY; IT HAS NOT INTERFERED UNCLASSIFIED

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WITH TRADING. ITS ONLY INTEREST IS THAT TRADING CONTINUE TO BE CONDUCTED IN AN ORDERLY FASHION. NOR DOES THE GOS TAX RUBBER EXPORTS, ALTHOUGH IT DOES ALLOW THE RAS TO IMPOSE A CESS OF SEVERAL CENTS A TON TO FINANCE THE RAS. THE MONETARY AUTHORITY OF SINGAPORE (MAS) ALSO EXERCISES A CERTAIN SUPERVISION OF THE RUBBER TRADE FOR FOREIGN EXCHANGE CONTROL PURPOSES.

6. THE MARKET: THOSE OPERATORS WHO COLLECTIVELY MAKE UP THE SINGAPORE RUBBER MARKET INCLUDE DEALERS, MANUFACTURERS' BUYING AGENTS (E.G. GOODYEAR), ESTATE PRODUCERS, SPECULATORS, AND BROKERS. THE MARKET HAS NO SINGLE PHYSICAL LOCATION, AND NO OUTCRY SYSTEM, AS IN LONDON. IT EXISTS "IN THE ETHER," OVER TELEPHONE LINES AND TELEXES RUNNING FROM HALF A DOZEN PRINCIPAL BROKERS TO NUMEROUS BUYERS AND SELLERS. THE MARKET IS A HIGHLY SOPHISTICATED, WELL-COORDINATED OPERATION.

7. PRICES: THE OPENING PRICE IS INFLUENCED BY

PRICE CHANGES IN OTHER MARKETS SUCH AS LONDON, NEW YORK,
AND TOKYO SINCE THE PREVIOUS SINGAPORE CLOSE. THREE
MEMBERS OF THE RAS SERVE AS A PRICE-FIXING PANEL AND
SET PRICES TWICE A DAY (NOON AND 5 P.M.) FOR THE RSS-1
GRADE OF NATURAL RUBBER (AS WELL AS FOR THE LOWER GRADES)
FOR VARIOUS DELIVERY DATES.

NOTE BY OC/T: NOT PASSED MICRONESIA.

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R 241000Z MAY 77
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8. SPECIAL FEATURES OF THE SINGAPORE RUBBER
MARKET:

A) SETTLEMENTS ARE CONDUCTED ON A FORTNIGHTLY
RATHER THAN DAILY BASIS

B) THE RAS QUOTES PRICES TWENTY TO THIRTY MONTHS
FORWARD

C) AN FOB CONTRACT IS IN GENERAL USE, BOTH FOR
PHYSICAL SALES AND FORWARD TRADING.
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9. TRENDS: IN RECENT YEARS, PHYSICAL TRADING
HAS BEEN GROWING MUCH LESS RAPIDLY THAN TRADING IN
FUTURES. BROKERS NOW ESTIMATE THAT 80 PERCENT OF TRANSACTIONS
THEY HANDLE ARE FUTURES. HOWEVER, THEY HASTEN TO REJECT
ANY SUGGESTION THAT THIS IS A SPECULATION -- DOMINATED
MARKET, ARGUING THAT FOR THE MOST PART FUTURES TRADING
HAS ITS BASIS IN ACTUAL PHYSICAL DEALS.

10. RAS OFFICIALS DO NOT SEE THE PROCESSING
SIDE OF THE INDUSTRY EXPANDING BEYOND ITS PRESENT
LEVEL, SINCE MORE AND MORE OF THE VALUE ADDED WILL
TAKE PLACE IN THE NEIGHBORING PRODUCER COUNTRIES.
HOWEVER, THEY SEE SINGAPORE REMAINING AS THE PREMIER
MARKET IN THE REGION FOR A LONG TIME TO COME. SINGAPORE
NOW HANDLES APPROXIMATELY 40 PERCENT OF MALAYSIA'S AND 50 PERCENT
OF INDONESIA'S RUBBER EXPORTS. EVEN IF THIS PHYSICAL
TRADING SHOULD DIMINISH, SINGAPORE WOULD STILL BE AN
IMPORTANT FUTURES MARKET. THIS WOULD BE DUE TO THE
SUPERIOR COMMUNICATIONS AND MARKET SOPHISITICATION
AVAILABLE IN SINGAPORE. INDUSTRY SOURCES ARE AWARE THAT
THE KUALA LUMPUR MARKET HAS, SINCE THE MARKETS SPLIT IN
1973, BEEN GROWING FASTER THAN SINGAPORE. HOWEVER,
SINGAPORE'S MARKET IS STILL PERHAPS FOUR TIMES LARGER
THAN KUALA LUMPUR'S, AND WHEREAS SINGAPORE'S MARKET
IS DEALER-ORIENTED, KUALA LUMPUR'S IS MORE PRODUCER-
ORIENTED.

11. BUFFER STOCK: INDUSTRY SOURCES FEEL THAT
BY THIS TIME NEXT YEAR THERE WILL BE AN OFFICE
DOOR IN KUALA LUMPUR BEARING THE TITLE "BUFFER STOCK
MANAGER". THEY FEEL THAT THIS WILL BE AN ANRPC,
NOT UNCTAD, BUFFER STOCK, ALTHOUGH UNCTAD FUNDS MAY
BE INVOLVED. THEY ALSO FEEL THAT THE OFFICE WILL BE
INACTIVE, SINCE THE BUFFER STOCK PRICE WILL BE BELOW
THE MARKET PRICE. GENERALLY, THE MARKET HERE SEES
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THE BUFFER STOCK AS AN INEVITABLE EVIL, AND HOPES
FOR THE WIDEST POSSIBLE RANGE BETWEEN FLOOR AND CEILING.

12. PRICES: A STEADY BUT UNDRAMATIC UPWARD
TREND IN PRICES FOR 1977 AND 1978 IS GENERALLY FORESEEN,
ALTHOUGH MARKET PROGNOSTICATORS CONFESS THAT THEIR
CRYSTALL BALLS ARE CLOUDIER THAN USUAL. IN ADDITION
TO THE BUFFER STOCK QUESTION, THE MARKET HERE IS CONCERNED
ABOUT THE FUTURE EFFECT OF USSR AND UK SYNTHETICS
PRODUCTION. SOME BROKERS ARE WORRIED ABOUT THE DANGER
OF SPECULATIVE FUNDS FROM OTHER COMMODITY MARKETS
SLOSHING OVER INTO THE RUBBER MARKET. FINALLY, SEVERAL
KNOWLEDGEABLE TRADERS BELIEVE THAT THE GSA IS POSITIONING
ITSELF TO RE-ENTER THE RUBBER MARKET, AND THAT THIS
COULD GIVE A SIGNIFICANT UPWARD IMPETUS TO RUBBER PRICES.
GRANT

NOTE BY OC/T: NOT PASSED MICRONESIA.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RUBBER, MARKET SURVEYS, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Sent Date: 24-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770523/aaaaatvt.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: af52d18a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 104226
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2389493
Secure: OPEN
Status: NATIVE
Subject: NATURAL RUBBER (NR)
TAGS: EPAP, SN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/af52d18a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009